



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 30, 2004

H.R. 4842

A bill to implement the United States-Morocco Free Trade Agreement

As cleared by the Congress on July 22, 2004

SUMMARY

H.R. 4842 approves the free trade agreement between the government of the United States and the government of Morocco that was entered into on June 15, 2004, and provides for tariff reductions and other changes in law related to implementation of the agreement.

The Congressional Budget Office estimates that H.R. 4842 will reduce revenues by \$5 million in 2005, by \$52 million over the 2005-2009 period, and by \$144 million over the 2005-2014 period, net of income and payroll tax offsets. The legislation will not affect federal spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4842 over the 2005-2014 period is shown in the following table.

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Changes in receipts	-5	-9	-11	-13	-15	-16	-18	-19	-19	-20

BASIS OF ESTIMATE

Under the United States-Morocco agreement, tariffs on U.S. imports from Morocco will be phased out over time. The tariffs will be phased out for individual products at varying rates according to one of several different timetables ranging from immediate elimination on

January 1, 2005, to gradual elimination over 18 years. According to the U.S. International Trade Commission, the United States collected \$15 million in customs duties in 2003 on \$396 million of imports from Morocco. Those imports consist mostly of various types of apparel articles and produce. Based on these data, CBO estimates that phasing out tariff rates as outlined in the U.S.-Morocco agreement will reduce revenues by \$5 million in 2005, by \$52 million over the 2005-2009 period, and by \$144 million over the 2005-2014 period, net of income and payroll tax offsets.

This estimate includes the effects of increased imports from Morocco that will result from the reduced prices of imported products in the United States, reflecting the lower tariff rates. It is likely that some of the increase in U.S. imports from Morocco will displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Morocco will displace imports from other countries.

PREVIOUS CBO ESTIMATE

On July 21, 2004, CBO transmitted cost estimates for H.R. 4842, as ordered reported by the House Committee on Ways and Means on July 20, 2004, and for S. 2677, as reported by the Senate Committee on Finance on the same day. Both of those bills were identical to this version of H.R. 4842, as are CBO's cost estimates for the three pieces of legislation.

ESTIMATE PREPARED BY: Annabelle Bartsch

ESTIMATE APPROVED BY:

Roberton C. Williams
Deputy Assistant Director for Tax Analysis